

memorandum

Memorandum for: Mary Hutzler
Director, Office of Integrated Analysis and Forecasting
EI-80
From: Mark Mazur, Acting Director, Office of Policy
Date: May 20, 1999
Subject: Energy Subsidy Study

This is to request that the Energy Information Administration (EIA) undertake a service report for the Office of Policy that updates EIA's 1992 report on Federal Energy Subsidies and begins an examination of the energy market impacts of these subsidies. The report will serve as a building block to promote understanding regarding the level and composition of direct market interventions which may affect the use of energy or the composition of energy supply, and how these interventions have changed since the 1992 report. The report will be used in interagency discussions and may be the first of several reports requested.

The analysis should include the following:

- an update of any additions/deletions of Federal subsidies based on Administration and Congressional action since the 1992 report was written; and
- an estimate of the size of each current subsidy.

Subsidies to be included in the report are those wherein a government or public body provides a financial benefit. The subsidy must also be specific; for example, depreciation schedules, that can be used in non-energy sectors as well, are not included in the definition of a subsidy for this study.

This analysis will cover primary energy only, and to be most helpful, this report should be completed by August 15, 1999.

If you have any questions about this request, please let me know.



Department of Energy
Washington, DC 20585

MEMORANDUM FOR: MARY J. HUTZLER, EI-80
FROM: HOWARD GRUENSPECHT, PO-21
SUBJECT: THE ENERGY SUBSIDY STUDY

On May 20, 1999, the Acting Director of the Office of Policy requested that the Energy Information Administration (EIA) prepare a service report that updates its 1992 report on Federal Subsidies. This note responds to an EIA request for further clarification regarding the scope of coverage for the requested report that would meet the needs of the Office of Policy.

First, the study should focus on subsidies to particular energy sources or related products that are clearly defined as "goods" rather than services. For this reason, issues surrounding electricity and related services that are not tied to specific fuel sources need not be considered in the new report. In particular, such topics as appliance efficiency standards, research and development activities for end-use technologies, and the operations of the Power Marketing Administration, the Tennessee Valley Authority, and the Rural Utility Service should not be included.

As indicated in the original request, the updated analysis should consider only those energy subsidies provided at the Federal level. Also, the report should estimate subsidies for the most recent budget year for which data are available. Generally, only subsidies available as of the date we requested the updated study should be included. However, where there has been a significant change in the amount or scope of a particular subsidy relative to information presented in the 1992 report, it would be useful if the updated report were to review the legal and/or programmatic developments that led to such a change. Finally, the report should provide information on both the aggregate dollar amount of subsidy to each energy source or product and the amount of subsidy provided per unit of that energy source or product.

Please do not hesitate to contact me if I can be of further assistance.